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181349Z Apr 05

UNCLAS SECTION 01 OF 02 PARIS 002623

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STATE FOR EB, EUR/ERA, AND EUR/WE

E.O. 12958: N/A

TAGS: [ECON](#) [FR](#) [OECD](#)

SUBJECT: OECD REFORM: A/S WAYNE MEETS WITH FRENCH OFFICIALS

REF: A) State 64265

1. (SBU) A/S Wayne briefed GOF officials on USG ideas for OECD reform. The GOF agrees with USG ideas about the OECD's mandate, but our contacts cited questions about the role of "Full Observers" and how the members of other groups, like the Bureau of the Council would be chosen. Nevertheless, they agreed completely on the need for reform and the need to ensure engagement from member state capital officials. End Summary.

2. (SBU) On 12 April, EB A/S Tony Wayne called on French MFA Director for Economic Affairs (U/S-equivalent) Alain Leroy, his deputy Christophe Chouvet, and OECD Desk Officer Thierry Mathou to discuss U.S. proposals for OECD reform. A/S Wayne was accompanied by EUR/ERA's Greg Garramone and Embassy Paris Econ Chief. Per refel request, Econ Chief had passed A/S Wayne's letter and non-paper on OECD reform to Leroy on 8 April and Leroy and his colleagues had already reviewed the documents.

3. (SBU) A/S Wayne noted that he had asked for a bilateral meeting with Leroy specifically to discuss in detail the thinking behind the proposals in the USG non-paper. He said he hoped the USG and France could work together to ensure that the OECD could effectively and efficiently function as membership increased over time to as many as forty to sixty members. A/S Wayne added that he knew that all members would not be happy with all the ideas, but that it was important to circulate a document which could be the basis for discussion and which addressed some of the key challenges. A/S Wayne also emphasized that he hoped to spark discussion among officials well beyond those at the OECD in Paris; a "mixed committee" of Paris/OECD-based officials and officials in member state capitals would be key to any reform agenda forward. He added that OECD governance was an area that needed particular attention.

4. (SBU) Leroy welcomed A/S Wayne's initiative to meet bilaterally to discuss the OECD and agreed that a discussion involving more officials than just the Paris-based OECD staff was crucial to moving the issue forward. Leroy also noted that it was good to have a paper that put "everything on the table." He said that France was "entirely in agreement" with the U.S. paper's views on the OECD's mandate, and in general agreement with the U.S. paper's views on governance. In this area, however, Leroy read from the U.S. text: "The role of the European Union would need to be explored." That, he joked, is "a little grenade" but very cleverly placed and indeed an issue that will have to be addressed. He said that he was certain that several EU countries would not agree with having only the seven largest budget contributors participate in the Bureau of the Council, as proposed in the U.S. paper. Sweden and Spain in particular would oppose that idea Leroy warned.

5. (SBU) Leroy said he wanted to discuss the membership proposals too. He said that France agrees that today the OECD Council is overburdened. In today's structure, he observed, the Executive Committee effectively functions as the Bureau of the Council would under the U.S. proposal. He suggested that one could compare the functions on the Council and the Bureau of the Council to the EU's COREPER I and COREPER II, in which one forum takes care of the technical and legalistic decisions, and in effect prepares for the other body to consider more political and "big-picture" decisions. Leroy also suggested that the Bureau of the Council was effectively the same thing as an Office of the Secretary General should indeed be established to look after administrative issues.

6. (SBU) A/S Wayne noted that with a larger membership, a reasonably sized group would have to meet to discuss the "issues of the day" and make recommendations to the Council. A large Council comprised of forty or more members would be simply unmanageable, particularly if the issues brought to it for decision were numerous.

7. (SBU) Leroy again said that he agreed in principle and that once per month meetings or something similar might be the optimum frequency. He said that perhaps one could

consider the G-7 as members on the Bureau, but again noted that he was unsure of how that would sit with several other members. Leroy suggested that members should also examine the role of the Executive Committee. He opined that members should be careful not to give too much autonomy to the Executive Committee. He also opined that there "really is not much in this [the U.S. proposal] for" Full Observers.

18. (SBU) A/S Wayne added that he wondered whether assembling a group of "wise men" that understood the OECD but were no longer a part of the organization would be a good way to get other ideas into the reform process. He again emphasized that he thought it was imperative that officials from member state capitals be involved in the reform discussions. Leroy heartily agreed on the role for capital-based officials and said assembling a group of "wise men" was also an excellent idea.

19. (SBU) A/S Wayne also briefed Leroy on USG views on coordinating the G-8 Broader Middle East and North Africa (BMENA) initiative with the activities of the OECD's Middle East and North Africa (MENA) Investment Program. Leroy understood and noted that France supported the idea. Continuing on G-8 issues, A/S Wayne also noted that the USG would be circulating a progress report on Transparency and Corruption covering Nicaragua, Zambia and Indonesia among others. Leroy suggested that the G-8 should also reflect on what can be done to promote evolving improved practices in Nigeria.

10. (SBU) A/S Wayne also briefed Leroy on U.S. work in following up on the 2004 U.S.-EU Summit. The USG, he explained, was assembling a list of attainable goals drawn from the stakeholder meetings undertaken over the past year. This list would include possible attainable goals that the U.S. and the EU could work toward over the next five to ten years. A priority for the USG list will be practicality and attainability, he explained. The four fields of possible cooperation will be 1) Regulatory Cooperation; 2) Innovation, R&D and Competitiveness; 3) Financial Services; and 4) Moving People and Goods Securely. Leroy noted he was impressed with the U.S. diligence in following up in these areas but made no further comment.

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